



RETAIL RESTRUCTURING: THE GREAT DISTRIBUTION EXPERIMENT

Recently, Amazon rolled out what it calls “Photo on Delivery,” a service that sends to a customer’s phone a photo of a package delivered to his or her home. Considering that Amazon’s net shipping costs were \$7.2 billion in 2016, it is not surprising that the company wants to ensure that its customers actually receive their packages, especially given that 11 million U.S. homeowners claimed they had a package stolen in 2016. Not to be outdone on experiments surrounding package delivery, Walmart is currently testing an associate delivery program, utilizing its own employees to deliver online orders on their way home. For additional pay, workers in three stores (in New Jersey and Arkansas) can currently opt-in to drive packages to customers on their commute. The Digitally Trained Consumer desires convenience and ease, which for retailers means it is increasingly essential to deliver its products how, when and where customers want them. Although Amazon and Walmart are leading the charge in the U.S., many retailers and logistics providers are continuing to experiment with omnichannel solutions and how to best get orders quickly and easily into consumers’ hands. The ones that do it best will have a competitive advantage. These experimental practices have implications for retailers, employment, logistics providers and warehouses, among others. ([inF 3815](#), 7/20/17; *Racked*, 9/26/17; *CBNC*, 10/10/17)

The Original Context In our *inFocus* “Retail Restructuring: The Great Distribution Experiment” ([inF 801](#), 2/21/13), we noted that “both brick-and-mortar and online-only retailers from the U.S., UK, Japan and even China have begun experimenting with new distribution methods, including same-day shipping and delivery services,” and suggested that “convenience and ease are both increasingly valued by consumers.” In our more recent *inFocus* “E-Commerce Evolves and a Real Omnichannel Era Begins” ([inF 1111](#), 11/4/16), we added: “Retailers that successfully appeal to customers’ desire for Simplicity by offering the best omnichannel-commerce options will outperform their peers.”

New Observations: Faster Delivery

- Fifty-one percent of retailers say they offer same-day delivery, up from 16 percent saying the same a year ago. (*Pymnts*, 9/19/17)
- Third-party delivery companies, such as Uber and Lyft, currently hold 32 percent of the same-day delivery market, up from 20 percent a year ago. (*Pymnts*, 9/19/17)
- FedEx has expanded its SameDay City delivery service to 30 U.S. markets, encompassing 1,800 cities. (*Internet Retailer*, 10/5/17)
- In August, same-day delivery service Deliv added 14 markets, bringing its total to 33 U.S. markets, encompassing about 1,400 U.S. cities. Deliv handles deliveries for about 4,000 clients and lists 147 retailers on its website. (*Internet Retailer*, 8/31/17)

- In July, courier and messenger companies hired 3,200 new workers, making it the fourth month in a row of job increases. (*Pymnts*, 8/7/17)
- Walmart announced that it will soon begin offering same-day delivery to some customers in New York City after acquiring Parcel, a company that handles same-day delivery services in New York for companies including Bonobos, Chef'd and Martha Stewart's Martha & Marley Spoon. (*CNBC*, 10/3/17)
- ASOS, an online retailer, announced that it plans to open a warehouse in Atlanta (GA), which will allow it to offer next-day shipping across the U.S. (*Racked*, 9/26/17)
- In October, following its announcement of a decline in quarterly gross margins, Costco said that it will offer two-day grocery delivery services through a partnership with Instacart. (*Pymnts*, 10/9/17)

New Observations: Delivery When and Where You Want It

- Walmart announced a partnership with smart doorbell maker Ring that will allow the retailer to open customers' doors and bring deliveries into their houses. (*CBNC*, 10/10/17)
- Amazon is developing a smart doorbell device that would provide delivery drivers one-time access to a person's home to drop off items. (*CBNC*, 10/10/17)
- Amazon has signed contracts with apartment owners and managers representing more than 850,000 residential units across the U.S. to begin installing its Hub by Amazon locker systems in the buildings. The lockers will accept packages from all carriers, and the orders don't have to be placed on Amazon. (*Wall Street Journal*, 10/17/17)
- Amazon is in talks to forge a partnership with Phrame, a maker of smart license plates that allow access to a car's trunk so that items can be delivered. (*CBNC*, 10/10/17)

New Observations: Omnichannel Options

- In October, Target announced that it was testing curbside delivery in the Minneapolis-St. Paul area. Once customers place orders online via the Target app, they can select "Drive Up" and, when notified that the products are ready, hit the "I'm on My Way" button. After the customer pulls into a designated parking spot, a Target employee will deliver the order to the car. (*Pymnts*, 10/4/17)
- In October, Ikea announced that is launching a test to sell its flat-pack furniture through big e-commerce retailers. Ikea is also exploring city-center mini locations that are pickup points for online purchases. (*Financial Times*, 10/9/17)
- Amazon announced a deal with Kohl's in which the physical retailer will accept returns of Amazon orders at 10 of what will eventually be 82 of its Chicago and Los Angeles stores. Kohl's has also begun unveiling mini Amazon shops in some of its locations, where customers will be able to try out and purchase gadgets like the Amazon Echo and Kindle. (*Recode*, 10/18/17)
- In November, Walmart started offering Mobile Return Express. Items purchased on the retailer's website can be returned in-store in 30 seconds or less if the return process is started on the company's app. (*New York Post*, 10/9/17)

New Observations: Logistics and Delivery in China and Beyond

- Parcel deliveries totaled 17.32 billion units in China in the first half of 2017, up 30.7 percent from the year ago period, according to China's State Post Bureau. (*Digital Commerce 360*, 8/3/17)
- JD.com launched its first unmanned sorting center in Jiangsu province. It can sort 9,000 parcels an hour on 100 percent automated equipment (79 million parcels per year). (*Supply Chain Digital*, 8/4/17)
- New Dada is a delivery firm operating in 350 Chinese cities, providing one-hour deliveries. The company assigns three million registered delivery people to deliver grocery products from 800,000 merchants to 30 million customers. (*Wall Street Journal*, 3/16/17)
- Alibaba announced it will invest \$15 billion over five years to build a global logistics network. The company also recently took a controlling stake in Cainiao Smart Logistics Network, a top Chinese logistics firm. (*Nikkei Asian Review*, 9/26/17)
- Within the next three to five years, AliExpress wants to make global deliveries within 72 hours. Customers from more than 220 countries and regions have placed orders via AliExpress. (*China Daily*, 5/11/17)

Companies with Potential Tailwinds

Logistics and Omnichannel Service Providers

- FedEx (FDX)
- UPS (UPS)
- Deliv (Private)
- Uber (Private)
- Lyft (Private)
- Red Stag Fulfillment (Private)
- ShipBob (Private)
- Radial (Private)

Technology for Delivery/Omnichannel Services

- Phrame (Private)
- August (Private)
- Ring (Private)
- Package Guard (Private)
- Optoro (Private)
- Clarus Commerce (Private)
- Newgistics (Private)

Warehouses

- Prologis (PLD)
- Stag Industrial (STAG)
- DCT Industrial Trust (DCT)
- First Industrial Realty Trust (FR)

Warehouse Robotics

- Fetch Robotics (Private)
- Locus Robotics (Private)
- 6 River Systems (Private)
- inVia Robotics (Private)
- Vecna Technologies (Private)

Contextual Timing on the Change Wave

